

## Message Text

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PAGE 01 TOKYO 06272 141032Z

13

ACTION EA-14

INFO OCT-01 EUR-25 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04

USIA-15 PRS-01 DRC-01 /188 W  
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R 140930Z MAY 74

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 1843

INFO AMEMBASSY LONDON

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ENRG, JA

SUBJECT: JAPANESE OIL IMPORT AND CONSUMPTION LEVELS

REF: TOKYO 4470

SUMMARY: HEAD OF COORDINATION DIV. OF MITI'S  
RESOURCES AND ENERGY AGENCY TOLD E/C COUNS MAY 13 THAT JAPANESE  
CRUDE OIL IMPORT LEVEL EXCEEDING EARLIER MITI EXPECTATIONS  
BECAUSE (A) WORLD OIL SUPPLY PICTURE MUCH IMPROVED; (B) MAJORS  
CRUDE OIL SUPPLY TO JAPAN MORE THAN EXPECTED; AND (C) CURRENT  
FOREIGN EXCHANGE SITUATION FAVORABLE TO JAPANESE INDEPENDENT  
OIL IMPORTERS. ABOUT HALF OF INCREASE IN OIL IMPORTS GOING  
INTO INVENTORY BUILDUP. MITI WILL PROBABLY RELAX OIL  
CONSUMPTION CONTROLS IN JUNE, BUT WILL NOT RESCIND  
DECLARATION OF STATE OF EMERGENCY ON WHICH MITI'S LEGAL  
CONTROLS ON REFINERY OUTPUT AND SHIPMENT ARE BASED. NO  
CHANGE IN PRICES OF PETROLEUM PRODUCTS EXPECTED NEXT TWO-  
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PAGE 02 TOKYO 06272 141032Z

THREE MONTHS. END SUMMARY.

1. E/C COUNS MET WITH KURIHARA, HEAD OF GENERAL CO-ORDINATION DIV. OF MITI'S RESOURCES AND ENERGY AGENCY, MAY 13 FOR GENERAL DISCUSSION OF JAPANESE SHORT-TERM ENERGY OUTLOOK. E/C COUNS BEGAN BY NOTING THAT WHILE MITI'S OFFICIAL PROJECTIONS FOR OIL IMPORTS IN APRIL AND MAY WERE ON ORDER OF 23-23.5 MILLION KILOLITERS PER MONTH, PRESS REPORTS INDICATED IMPORTS RUNNING AT SOMEWHAT HIGHER LEVEL. KURIHARA CONFIRMED THAT APRIL IMPORTS HAD REACHED 24.5 MILLION KILOLITERS AND SAID HE PERSONALLY EXPECTED MAY IMPORTS TO BE OVER 24 MILLION KILOLITERS AS WELL. (ANOTHER MITI SOURCE LATER SAID AGENCY'S PROJECTION FOR MAY WAS 24.5 MILLION KL).

2. KURIHARA SAID THAT THERE WERE SEVERAL REASONS FOR THIS INCREASED RATE OF IMPORT: A) WORLD SUPPLY PICTURE WAS CONSIDERABLY IMPROVED AND JAPANESE COMPANIES WERE NOW RECEIVING MANY MORE OFFERS OF SPOT OIL; B) MAJORS HAD NOT CUT BACK ON SUPPLY OF CRUDE TO JAPAN AS HAD BEEN EXPECTED; C) FOREIGN EXCHANGE FACTORS HAD WORKED IN JAPAN'S FAVOR. RE LATTER FACTOR, ALTHOUGH JAPANESE OIL COMPANIES HAD COMPLAINED THAT MITI FREEZE ON WHOLESALE PRICES OF OIL PRODUCTS WAS SET AT UNDULY LOW LEVEL, RECENT GAINS IN VALUE OF YEN HAD GIVEN REFINERS MORE FAVORABLE YEN IMPORT PRICE; HENCE THEY WERE WILLING TO IMPORT MORE. KURIHARA ALSO SUGGESTED THAT JAPANESE OIL COMPANIES MAY HAVE EXAGGERATED EXTENT TO WHICH THEY WOULD BE FORCED TO REDUCE CRUDE OIL IMPORT AS RESULT OF LOW LEVEL AT WHICH MITI HAD FROZEN PETROLEUM PRODUCT PRICES.

3. KURIHARA NOTED THAT IT NOT GOJ'S POLICY TO ENCOURAGE AN INCREASE IN PETROLEUM IMPORTS, BUT THAT INCREASE IN INVENTORY LEVELS WAS WELCOME. STOCKPILE LEVEL HAD STOOD AT 49.3 DAYS AT END OF MARCH. OFFICIAL PROJECTIONS PUT FIGURE AT 51.2 DAYS AT END OF MAY, BUT KURIHARA SAID HE BELIEVED THAT THIS TOO CONSERVATIVE AN ESTIMATE.

4. KURIHARA WAS LESS DEFINITE THAN IN PAST (SEE REFTTEL) ABOUT PROSPECTS FOR EARLY RISE IN MITI-CONTROLLED PETROLEUM PRODUCT PRICES. HE ADDED THAT AN INCREASE NOT LIMITED OFFICIAL USE

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PAGE 03 TOKYO 06272 141032Z

NECESSARY AT PRESENT IN VIEW OF FAVORABLE FOREIGN EXCHANGE SITUATION. KURIHARA ALSO SAID THAT THERE WAS LITTLE PROSPECT THAT EITHER IMPORT DUTY ON CRUDE OIL OR INTERNAL GASOLINE TAXES WOULD BE REDUCED. PROCEEDS OF THESE TAXES GO TO COAL INDUSTRY AND HIGHWAY BUILDING PROGRAM RESPECTIVELY, AND THUS DIFFICULT TO ABOLISH OR REDUCE.

5. E/C COUNS THEN ASKED ABOUT PRESS REPORTS THAT STATE

OF EMERGENCY DECLARED DEC. 22, 1973, AS BASIS FOR MANDATORY OIL CONSUMPTION CONTROLS, WOULD SOON BE RESCINDED. KURIHARA EXPLAINED THAT STATE OF EMERGENCY NECESSARY FOR TWO REASONS: A) TO ALLOW MITI TO REGULATE PRODUCTION AND SHIPMENT BY JAPANESE OIL COMPANIES AND B) TO PERMIT OIL CONSUMPTION CONTROLS ON INDUSTRIAL USERS. WHILE MITI WOULD LIKE TO RELAX CONSUMPTION CONTROLS AS MUCH AS POSSIBLE--AND MANY IN MITI EXPECT CONTROLS WILL BE RELAXED SOMETIME IN JUNE (KURIHARA WOULD NOT PREDICT, HOWEVER, WHETHER CONTROLS WOULD BE ABOLISHED OR REDUCED)--MITI ANXIOUS TO RETAIN ITS LEGAL CONTROL OVER PRODUCTION AND SHIPMENT OF OIL REFINERS, WHICH BASED ON STATE OF EMERGENCY DECLARATION. THIS ESPECIALLY NECESSARY, HE SAID, IF CURRENT PRICE CONTROLS DID NOT ACT AS EFFECTIVE BRAKE ON OIL IMPORTS.

6. NOTE: MITI OIL IMPORT FIGURES AND MOF CUSTOMS FIGURES OFTEN DIFFER BECAUSE OF TIME LAGS IN CUSTOMS CLEARANCE PROCESS. CUSTOMS FIGURE FOR MARCH, FOR EXAMPLE, WAS 25.1 MILLION KL--HIGHER THAN MITI FIGURE--AND APRIL FIGURE, WHEN ANNOUNCED, WILL BE CLOSE TO 23.5--LOWER THAN MITI FIGURE.  
SHOESMITH

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## Message Attributes

**Automatic Decaptioning:** X  
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